

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6882

BILL NUMBER: HB 1179

NOTE PREPARED: Dec 31, 2006

BILL AMENDED:

SUBJECT: Wheel Tax and Excise Surtax Exemption.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a county may adopt an ordinance to exempt a vehicle owned by a person who is at least 65 years of age and whose state adjusted gross income does not exceed \$25,000 from the Wheel Tax or the License Excise Surtax, or both.

Effective Date: July 1, 2007.

Explanation of State Expenditures: There would be some additional expense to the BMV and/or each county for the verification of age and income.

Explanation of State Revenues: If all the counties adopt this exemption, there will be a minor revenue loss to the Bureau of Motor Vehicles Commission (BMVC), estimated at \$6,000. This is based on 1% of all Surtax and Wheel Tax service fees. The BMVC retains a \$0.15 service fee for each Surtax or Wheel Tax collection. This will impact the state License Branch Fund, which supports the license branches throughout the state.

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues: Under this proposal and at each county's discretion, taxpayers who are least 65 years old and have incomes under \$25,000 could be exempted from the Wheel Tax And/or Surtax beginning in CY 2008.

The fiscal impact of this proposal depends on (1) the number of counties that choose to exempt a vehicle owned by a person who is at least 65 years of age and whose state adjusted gross income does not exceed

\$25,000 from the Wheel Tax or the Motor Vehicle Excise Surtax, or both and (2) the number of taxpayers who would qualify for the exemption in each of those counties.

As of CY 2005, 37 counties had adopted the Wheel Tax and the Motor Vehicle Excise Surtax. The Wheel Tax and Surtax collections for CY 2005 were \$53.6 M. According to the 2000 Census, approximately 10.5% of Indiana's householders were at least age 65 and had a household income less than \$25,000 per year. Based on these data, the maximum reduction in revenue for CY 2006 is estimated at \$5.6 M if all counties adopted the ordinance.

Background: The county auditor allocates money in the Excise Surtax and Wheel Tax Fund to each city, town, and the county based on the formula for the Local Road and Street Account. Revenue is used to construct, reconstruct, repair, or maintain streets and roads.

State Agencies Affected:

Local Agencies Affected: Cities, towns, and counties.

Information Sources: Jane Morrical, Director of Treasury, Bureau of Motor Vehicles, 317-232-2822; U.S. Census Bureau.

Fiscal Analyst: Bob Sigalow, 317-232-9859.